

Elkwater Resources Ltd. Provides an Operations Update and Announces 2015 Capital Budget and Guidance

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CALGARY, Feb. 9, 2015 - [Elkwater Resources Ltd.](#) ("Elkwater" or the "Company") (TSX VENTURE:ELW) is pleased to provide an operations update and announce details of its full-year 2015 capital budget and guidance.

OPERATIONS UPDATE

During the fourth quarter of 2014, the Company invested approximately \$6.5 million in the drilling and development of its newly acquired properties in Drayton Valley, Brazeau and Killam, targeting light oil from the Cardium and Belly River zones and medium oil from the Lloydminster zone, respectively.

Highlights from the fourth quarter of 2014 include:

- Brazeau: Completed and tied-in 1.0 gross (1.0 net) Belly River horizontal oil well;
- Drayton Valley: Drilled and completed 2.0 gross (1.8 net) Cardium horizontal oil wells; and
- Killam: Drilled 3.0 gross (3.0 net) Lloydminster horizontal oil wells.

The Brazeau Belly River horizontal oil well (100% working interest) average gross production was 393 boe/d (63% oil and NGLs) in its first 66 days based on field reports. Management is pleased with the results of this well and will continue monitoring overall performance.

The Drayton Valley 2.0 gross (1.8 net) Cardium horizontal oil wells were equipped, tied-in and on production in January, 2015. The 9-21 (100% working interest) average gross production was 200 boe/d (97% oil and NGLs) in its first 32 days and the 6-23 (83% working interest) average gross production was 274 boe/d (97% oil and NGLs) in its first 19 days. Production rates for both wells are based on field reports.

The Company has identified additional offset locations within these areas.

2015 CAPITAL BUDGET

With the extended market volatility, commodity price weakness, and emerging acquisition opportunities, the Company will continue to take a disciplined and conservative approach to the 2015 budget. This capital budget will be reviewed continuously by management and periodically by the Board of Directors for changes in commodity price assumptions and drilling economics. We remain steadfast in our conviction to maintain our financial advantage and build a top tier junior oil and gas enterprise.

For fiscal 2015, the Board of Directors has approved a capital expenditure budget of \$11.0 million. The budget limits capital spending to operational activities carried forward from December 2014 and those necessary to satisfy contractual and tax commitments.

During 2015, the Company has or intends to invest in the following activities:

- Drayton Valley: Equip and tie-in the 2.0 gross (1.8 net) Cardium horizontal oil wells that were drilled and completed in the fourth quarter of 2014;
- Killam: Complete, equip and tie-in the 3.0 gross (3.0 net) Lloydminster horizontal oil wells with estimated on production date in the fourth quarter of 2015; and
- Exploration expenses: Expend the necessary Canadian Exploration Expenses of \$4.0 million within calendar 2015 to meet certain flow-through obligations.

Despite the uncertainty in commodity prices, the Company believes that it is well positioned to execute on its growth strategy while maintaining financial flexibility.

2015 GUIDANCE

The Company's 2015 financial and operating guidance and assumptions are as follows:

Average daily production 2015	
Light/medium oil (bbls/d)	1,390
NGLs (bbls/d)	100
Natural gas (mcf/d)	5,460
Oil equivalent (boe/d)	2,400
Capital expenditures	\$11.0 million
Funds flow from operations(1)	\$12.3 million
December 31, 2015 net debt	\$5.2 million
Net debt to trailing funds flow from operations(1)	0.42x
Bank facilities - borrowing limit (2)	\$55.0 million
Assumptions:	
WTI (US\$/bbl)	\$55.00
Exchange rate (US\$/C\$)	0.80
Light sweet oil differential to WTI (C\$/bbl)	(\$8.50)
Average corporate oil quality discount (C\$/bbl)	(\$4.00)
AECO gas (C\$/mcf)	\$2.79

(1) "Funds flow from operations" and "net debt" do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS"). Refer to the Reader Advisories at the end of the news release.

(2) The bank facilities are due to be reviewed by the Company's banking syndicate on or before May 31, 2015.

Supported by its strong balance sheet, the Company intends to continue its pursuit of value-driven acquisitions. This will include consolidation of land positions within the Company's existing project areas, in addition to targeting new potential opportunities in complementary shallow, light oil, horizons within its Central Alberta core region. The Company is highly focused on adding to its inventory of high-quality drilling locations to sustain longer-term growth.

ABOUT ELKWATER

[Elkwater](#) (to be renamed "Striker Exploration Corp.") is a growth-oriented, light oil focused company operating predominantly in Alberta. Elkwater's full-cycle business plan provides an excellent opportunity to reposition Elkwater as a high-growth junior E&P company. With an experienced management team and a strong committed Board, growth is expected to occur through timely strategic acquisitions and drilling. Elkwater currently trades on the TSX Venture Exchange under ticker "ELW".

READER ADVISORIES

FORWARD-LOOKING STATEMENTS: This press release contains forward-looking statements. More particularly, this press release contains statements concerning: the 2015 capital budget, intentions of management and the Board of Directors to review the capital budget, the Company's drilling and completion plans and timing thereof, flow-through obligations, average production guidance for 2015, capital expenditures, funds flow from operations, net debt, net debt to trailing funds flow from operations, borrowing limit under the Company's banking facilities, intentions to pursue value-driven acquisitions, the Company's growth strategy, and the change of name of the Company to "Striker Exploration Corp.". In addition, the use of any of the words "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", "can", "will", "should", "continue", "may", and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained herein are based on certain key expectations and assumptions made by the Company, including but not limited to expectations and assumptions concerning the availability of capital, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the Company's growth strategy, general economic conditions, availability of required equipment and services and prevailing commodity prices. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the

forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; as the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Please refer to the Company's most recent Annual Information Form dated July 25, 2014 for the year-ended December 31, 2013, on SEDAR at www.sedar.com, and the risk factors contained therein.

The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

NON-IFRS MEASURES: This press release contains the terms "funds flow from operations" and "net debt", which do not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. Management uses funds flow from operations to analyze operating performance and leverage. Management believes "net debt" is a useful supplemental measure of the total amount of current and long-term debt of the Company. Mark-to-market risk management contracts are excluded from the net debt calculation. Additional information relating to these non-IFRS measures, including the reconciliation between funds flow from operations and cash flow from operating activities, can be found in the Company's most recent management's discussion and analysis MD&A, which may be accessed through the SEDAR website (www.sedar.com).

PRODUCTION RATES: Any references in this release to initial productions rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.

ADVISORY ON PRODUCTION INFORMATION: Unless otherwise indicated herein, all production information presented herein has presented on a gross basis, which is the Company's working interest prior to deduction of royalties and without including any royalty interests.

BARRELS OF OIL EQUIVALENT: The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

Contact

[Elkwater Resources Ltd.](http://ElkwaterResourcesLtd.com)

Doug Bailey, President and Chief Executive Officer
(403) 262-0242

Elkwater Resources Ltd.
Neil Burrows, Vice President, Finance and Chief Financial Officer
(403) 262-0242

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